Oliphant, Jas. H. & Co.

Status of
Standard Steel Stocks

[1917]

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Pres by Prof H A Kemp

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JAS. H. OLIPHANT & CO.

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THE God of War measures his toll not alone in human lives and gold, but, also in steel ingots. It has been the touch of his ruthless hand which has transformed the steel companies of America from poverty to affluence.

Prior to the war the common stocks of a majority of steel companies did not pay dividends and sold materially below par; the fluctuations in prices were wide reflecting the periods of prosperity and depression through which this country was passing.

These common stocks, in most instances, were originally issued for goodwill and did not represent paid in cash capital. There was little tangible value behind them and they were only to be regarded in a speculative light, with almost no investment merits.

In view of the transformation which has taken place in the financial position of these companies during the past two years, these same common stocks are no longer to be considered as only highly speculative. At current prices some offer very attractive returns based upon the dividends now being paid. It is gratifying to note that dividends are conservative compared with present earnings.

Few groups of preferred stocks are so amply protected, as to principal, by large book values as are the senior stock issues of our leading steel companies. Over the periods since organization the average annual earnings available for dividends have been ample to

warrant the payment of preferred dividends without interruption. However, as a whole, the managers of the steel concerns are conservative, and in those past years whenever preferred dividends were not earned with fair margins to spare, some companies reduced or deferred payments. With the exception of one company in this brochure the preferred stockholders have now received all dividends due them and this one company will doubtless clear up its arrears shortly. Taking it by and large, the preferred dividend record of the steel companies is excellent and the average yield has been sufficient to compensate for any inherent degree of risk in the investment which may have existed.

Part Played by Rolling Mills

One very important factor in the development of the steel business has been the art of forming various sections from wrought iron and steel by the rolling mill. This has created a demand for steel sections where hitherto other material had been used. The inventive genius of American engineers has given the United States a supremacy in rolling mill operations recognized throughout the world. Labor saving machinery is mainly responsible for our low costs. The early application of electricity as a motive power in the thousands of usages to which it has lent itself has made this development possible. Rolled products of all kinds for 1916 were 32,380,389 gross tons, an increase of 32.7%

over 1915 and an increase of 341% over 1900. The phenomenal growth of the steel business of this country during the past fifteen years and the transition from the predominance of bessemer over open hearth steel; also the gain of electric furnace steel over crucible is very lucidly set forth in this little tabulation:

Years	Open-Hearth	Bessemer	Crucible	Electric	Total Gross tons
1902	5,687,729	9,138,363	112,772	.....	14,947,250
1903	5,829,911	8,592,829	102,434	.....	14,534,978
1904	5,908,166	7,859,140	83,391	.....	13,859,887
1905	8,971,376	10,941,375	102,233	.....	20,023,947
1906	10,980,413	12,275,830	127,513	.....	23,398,136
1907	11,549,736	11,667,549	131,234	.....	23,362,594
1908	7,836,729	6,116,755	63,631	.....	14,023,247
1909	14,493,936	9,330,783	107,355	13,762	23,955,021
1910	16,504,509	9,412,772	122,303	52,141	26,094,919
1911	15,598,650	7,947,854	97,653	29,105	23,676,106
1912	20,780,723	10,327,901	121,517	18,309	31,251,303
1913	21,599,931	9,545,706	121,226	30,180	31,300,874
1914	17,174,684	6,220,846	89,869	24,009	23,513,030
1915	23,679,102	8,287,213	113,782	69,412	32,151,036
1916	31,415,427	11,059,039	129,692	168,918	42,773,680

During the ten years, prior to the beginning of hostilities in Europe, the more far-seeing companies, realizing their handicaps of limited working capital and the need of improvements, put earnings back into properties and added to supplies of raw materials.

Then came the War; and the effect upon the industry is too generally known to need reviewing in this connection.

The world wide demand on this country for war supplies created an unprecedented demand for steel products both for domestic consumption and export. Here it should be mentioned that only about 15% of our steel business has been war exports.

Operating conditions became trying to all companies as the demand for steel increased. These troubles were manifested in the lack of transportation facilities, labor shortage, and the increasing costs of raw materials.

Notwithstanding these difficulties the period, from the summer of 1915 up to the present, is the record for prosperity in our steel industry. Present indications are that our immediate future will eclipse all previous records. Steel makers say that they are not yet at the crest of the wave of prosperity.

Building for the Future

The conservative companies which had built up efficient plants and organizations and had provided sufficient raw materials at low prices were naturally best able to cope with the flood of new business and make large profits in spite of attendant difficulties.

The labor situation is acute and doubtless will become more so; but the steel makers have taken care of themselves with remarkable foresight. Wages have been increased from time to time and the employes allowed to subscribe for stock on an advantageous basis with easy payments and attractive dividend guarantees. Bonus and profit sharing plans are now the rule and efficiency of the individual is recognized by immediate and generous compensation. General welfare systems such as pensions and insurance tend to make the employes partners in fact as well as in theory. This is a fac-

tor towards loyalty which cannot be measured in dollars against the time when retrenchments may be necessary.

Generally speaking the prosperity of the steel companies has been shared to a greater degree by employes than by stockholders.

In determining the intrinsic worth of steel securities one should have some knowledge of the physical condition of properties, the extent of ownership of raw materials and the efficiency of management as well as a knowledge of the financial showings in the companies' statements. It is unfortunately true that, with the possible exception of one or two, the steel companies are too meagre with the information given stockholders, and the investing public must depend to a large extent upon information obtained through other than official channels.

Dividends have been Conservative

However the statements of the companies in this brochure indicate that during the past two years extraordinarily large appropriations have been made for depreciation of plant and equipment and enormous expenditures have been made for repairs, betterments, new construction and addition to properties. Liabilities have been reduced. Dividends have been conservative. Earnings have been put back into properties, working capital has been largely augmented, but new financing through sale of either stocks or bonds has been relatively negligible.

The entrance of the United States into the war has stimulated buying by our own Government and our Allies although it is not logical to expect that the percentage of profits will run as high as the past two years since our Government will buy both for its own and its Allies' needs. Under the proposed war revenue bill the corporations will be heavily taxed but should still show satisfactory profits. While the steel companies will undoubtedly benefit by the entrance of this country into war they are already shaping their affairs towards the coming of peace. They realize that while this may be a long war it cannot continue indefinitely. Conditions which must be confronted with the coming of peace are now occupying the attention of every thoughtful business man.

Peace and Prosperity

It is pretty generally agreed that the vast amount of wealth already transferred to this country, and that which is yet to come, will to a large degree be utilized when peace prevails, in developing not alone domestic business and resources but also in extending trade in American products in foreign markets.

The efficiency of our steel concerns has been demonstrated to the world and with their big organizations and enormous wealth they should be able to gain the lion's share of whatever business there may be when peace is proclaimed.

United States Steel Corporation

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$550,000,000	$508,302,500
(Par $100)	Pfd. 7% cum.	400,000,000	360,281,100
Bonds, notes and misc. obligations			629,803,915
Total capitalization			$1,498,387,515
Value of properties, Dec. 31, 1916			$1,472,623,666

Surplus after deductions for first three months of 1917 available for dividends on common equivalent to $72 a share annually. This compares with $48 in the full year 1916.

Earnings, after deductions, in dollars per share available for dividends.

Year ended	*Preferred Stock*		*Common Stock*	
Dec. 31	Earned	Paid	Earned	Paid
1916	$75.37	$7.00	$48.46	$8.75
1915	21.05	7.00	9.96	1.25
1914	6.52	7.00	def.	3.00
1913	22.50	7.00	11.02	5.00
1912	15.05	7.00	5.71	5.00
1911	15.35	7.00	5.92	5.00
1910	24.26	7.00	12.23	5.00
1909	21.94	7.00	10.59	4.00
1908	12.69	7.00	4.03	2.00
1907	29.02	7.00	15.60	2.00
Annual Average	$24.38	$7.00	$12.32	$4.10

Preferred dividends payable quarterly first day March, June, September and December, or last day of February, May, August and November. Record unbroken since organization. Common payable quarterly last day of March, June, September and December. June, 1910, rate on common made 1¼% quarterly. Reduced to 2% annual basis December, 1914, and passed March, 1915. Resumed at 1¼% quarterly March 31, 1916, and since continued. Extras have been: 1%, September, 1916; 1% December, 1916; 1¾%, March 30, 1917, and 3% June 29, 1917.

THE United States Steel Corporation during the period since its organization in 1901 has been liberal in charges for depreciation, etc., to date $451,697,612 has been charged to this account or expended towards sinking funds, which is equivalent to $88.80 per share. Though ordinary repairs and maintenance are not deducted from net earnings, but form a part of production cost, yet it is interesting to note that approximately $546,000,000, or $107 a share on the common, has been expended on these items.

Out of earnings large sums have been expended towards new construction, several plants having been practically rebuilt, and tonnage capacity largely increased by such additions as the Indiana Steel Co., at Gary, Indiana, the Minnesota Steel Co., at Duluth, Minn., and the National Tube Co., at Lorain, Ohio.

Waste products are utilized, and many economies and savings effected. The Universal Portland Cement Co., near Gary, with a yearly capacity of 10,100,000 barrels and at Duluth with a capacity of approximately 200,000 barrels utilizes waste furnace slag. By the use of blast furnace gas cheap fuel is secured for power plants and from the manufacture of coke there is recovered tar, ammonia and benzol products.

A railroad system of 1,283 miles is operated. In marine equipment 9 vessels sail over-sea trade and 79 vessels on the Great Lakes, together with a number of barges, tugs, scows, etc., principally used on the Ohio River.

At Two Harbors and Duluth are large storage and forwarding docks and at South Chicago, Milwaukee, Gary, Lorain, Cleveland, Connaut and Fairport receiving docks with yard storage.

The corporation owns extensive ore properties in Minnesota, Michigan, and Alabama; coal lands in Pennsylvania, Alabama, West Virginia, Illinois and Indiana; oil and gas properties in Pennsylvania and West Virginia. In connection with its coal mining properties there are ten coal washing plants, seven coking plants, (three of which recover benzol products) sufficient to supply all its needs for years to come.

By reason of large holdings of iron ores, estimated at considerably over 1,600,000,000 tons, mining equipment, loading and unloading docks, and transportation facilities, the cost of ores and other raw materials delivered at its various plants is reduced to a low figure.

Export shipments for 1916 were but 16% of total business compared with 21% in 1915.

Unfilled orders on the books as of June, 1917, totalled 11,886,591 tons. This is sufficient to keep the corporation's plants running to capacity through 1917.

By close of 1917 finished steel capacity should be well over 16,500,000 tons compared with 15,461,000 tons in 1916.

The actual addition to U. S. Steel assets from date of organization to March 31, 1917, amounts to $644,892,-317. It is estimated that with no reversal of present

conditions that the increase in assets by close of year will exceed $875,000,000 or approximately 55% of the steel property account which as of December 31, 1916, was given as $1,472,000,000.

The corporation is in excellent shape to meet the uncertainties of the future. Its plants and properties are in first-class condition and it has accumulated an enormous surplus. Through its export department the company should get more than its fair proportion of foreign business when peace comes.

Bethlehem Steel Corporation

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock (Par $100)	Common A	$15,000,000	$14,862,000
	Common B	45,000,000	44,586,000
	Pref. 7% non cum.	15,000,000	14,908,000
Bonds, notes and misc. obligations,			131,711,000
Total capitalization			$206,067,000
Value of property, Dec. 31, 1916			$131,983,860

Surplus after deductions for first three months of 1917 available for dividends was equivalent to $115 annually a share on the combined A and B stock.

Surplus, after deductions, in dollars per share available for dividends, based on old capitalization of $15,000,000 common and $15,000,000 preferred:

Year ended	*Preferred Stock*		**Common Stock*	
Dec. 31	Earned	Paid	Earned	Paid
1916	$292.40	$7.00	$286.30	$30.00
1915	119.20	7.00	112.50	none
1914	37.50	5.00	32.60	.....
1913	34.40	5.00	27.50	.....
1912	13.80	none	6.90	.....
1911	13.70	.....	6.80	.....
1910	13.50	.....	6.60	.....
1909	5.40	.....	def.	.....
1908	2.50	.....	def.	.....
1907	10.80	.....	3.90	.....
Annual Average	$ 54.31		$ 47.45	

*Old common all of one class ($15,000,000).

Preferred dividends payable quarterly, January, April, June, October first. Paid 1¾% quarterly from August, 1905 to August, 1906. November, 1906 and February, 1907 paid ¾ of 1% each. Passed May, 1907. Paid 1¼% quarterly from April, 1913 to January, 1915, incl. Paid 1¾% quarterly from April, 1915 to date. On old common dividend was 30% annually, paid 7½% quarterly from April 1, 1916 to January 2, 1917 and one quarterly payment of 10% paid April, 1917. Preferred stock has preference as to assets and dividends and has equal voting power with the Class A common. The Class B stock was issued to holders of original common in the form of 200% stock dividend and a right was given to subscribe to an additional 100% at par. Both classes of A and B stock are on a 10% annual basis, initial 2½% quarterly dividend payable July 2, 1917.

The Bethlehem Steel Corporation since organization in 1904 has been liberal in charging off the depreciation and depletion of properties. During 1916 $14,350,785 was written off the capital assets or approximately 60% of the corresponding item by the United States Steel Corporation during the same period.

The policy of Bethlehem prior to 1916 was to turn every available dollar of surplus back into the property. The wonderful earnings of the past two years have put the company firmly on its feet and stock holders are no longer called upon for sacrifices.

The construction program involves an outlay in the next few years of more than $100,000,000. On completion, the twenty-five component parts will consist of 20 parts commercial manufacture, 4 parts shipbuilding and only one part ordnance making.

By ownership of five shipbuilding plants the corporation is the largest shipbuilder in the United States. Capacity to-day is estimated to be over 40% of the country's total and 175 ships are now under construction in its yards.

The 200% stock dividend in February, 1917, had the effect of converting $30,000,000 of surplus earnings into permanent capital and this was further increased by the sale of $15,000,000 Common "B" stock at par. The total working capital which includes the money received from the sale of $50,000,000 two-year notes now approximates $100,000,000.

Present book value by reason of the $15,000,000 cash paid in for class "B" stock adds $25 per share to the common stock, or a total book value of $166.75 per share.

At the annual meeting April 3, 1917, the corporation was authorized to issue bonds not to exceed $200,000,000. In explanation of this blanket mortgage it was intimated that it was the expectation of the directors to eventually do away with the holding company and to consolidate all of the Bethlehem properties into one concern. Such a unification of the operations of the corporation and its important subsidiaries would ultimately result in many economies and advantages to the corporation.

Bethlehem has extensive ore properties near Santiago, Cuba, Coquimbo, Chile, and at Port Henry, N. Y. The ore deposits in Chile run 67% metallic iron—and are reported as one of the most valuable deposits in existence. By purchase of the Pennsylvania Steel Co., it has acquired additional ore lands in Cuba and at Cornwall, Pa., and some 13,000 acres of coking coal lands in Pennsylvania. By recent purchase of the New Jersey Lime Co. it has secured a valuable limestone quarry. In February, 1917, the Lehigh Coke Co. was purchased from the Pittsburgh-by-Product Company. This added a large coking property and in addition gives a bountiful supply of gas. Iron ore reserves exceed 2,000,000,000 tons.

Unfilled orders on hand December 31, 1916, $193,-374,248. Approximately of this $117,500,000 is domestic business and $76,000,000 of foreign business. The unfilled orders as of April 25th, 1917, approximate over $300,000,000.

Republic Iron & Steel Co.

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$30,000,000	$27,191,000
(Par $100)	Pfd. 7% cum.	25,000,000	25,000,000
Bonds, notes and misc. obligations			16,795,000
Total capitalization			$68,986,500
Value of properties Dec. 31, 1916			$74,685,175

Surplus, after deductions, for first three months of 1917 available for dividends on the common equivalent to $57.60 a share. Compared with $47.67 a share in full year 1916.

Earnings after deductions, in dollars per share available for dividends:

Year ended Dec. 31	*Preferred Stock*		*Common Stock*	
	Earned	Paid	Earned	Paid
1916	$59.16	$18.00	$47.67	$1.50
1915	14.06	4.75	6.50	.....
1914	4.10	3.50	0.56	.....
1913	12.41	7.00	4.97	.....
1912	8.93	3.50	1.78	.....
1911	7.81	7.00	0.75	.....
1910	11.61	7.00	4.24	.....
1909	7.97	2.00	4.95	.....
1908	7.89	5.75	0.81	.....
1907	18.25	7.00	8.47	.....
Annual Average	$12.32		$4.73	

Preferred dividend very irregular but all dividends in arrears have been paid off. July, 1908, preferred dividend passed. July, 1909, paid 1¾% and ¼ of 1% of accrued dividends. In August, 1909, paid 6¾% on account of accrued dividends, the payment being made in warrants. Paid 1¾% quarterly October, 1909, to January, 1912, inclusive. Passed April, 1912. Paid 1¾% quarterly January 1, 1913 to July 1, 1914, incl. Passed October 1, 1914. Paid 1¾% quarterly October, 1915, to date. On account of accrued dividends paid ¼ of 1% October, 1915, 1% January, 1916, 1% April, 1916, 2% July, 1916, 4% October, 1916, 4% January, 1917. Preferred dividends payable quarterly January, April, July, October first. Common quarterly February, May, August, November first. Initial common 1½% paid February 1, 1917 and since continued.

THE Republic Iron & Steel Co. during the past seven years charged off $7,774,507 for depreciation and depletion of minerals. In the course of the company's development the management has been most liberal in its appropriations for new construction, having concentrated and centralized the various plants and in so doing effected various economies in manufacturing, the results of which are now beginning to show in increased profits.

Very valuable ore mines are owned and operated in Minnesota, Michigan and Alabama. Total ore reserves as of December 31, 1916, 112,923,513 tons. The company also owns very extensive coal lands in Pennsylvania and Alabama with reserves as of December 31, 1916, estimated; coking coal, 104,725,000 tons, steam coal, 13,434,000 tons. Lime stone properties in Pennsylvania and Alabama reserves as of December 31, 1916, were estimated at 30,913,000 tons.

At Youngstown is located the principal unit, a new modern up-to-date steel plant.

The tonnage for 1916 approximated 1,217,000 tons; this will be increased during 1917.

During 1916 only 7% of business was in war steel and 93% in commercial steel. Unfilled orders on the books as of December 31, 1916, 617,950 tons. This total has been greatly increased since first of year and is more than sufficient to keep plants running to capacity through 1917.

Youngstown Sheet & Tube Co.

Earning Power and Dividend Record

		Authorized	Outstanding
Capital Stock	Common	$20,000,000	$18,496,000
(par $100)	Pfd. 7% cum.	10,000,000	9,974,400
Bonds, notes and misc. obligations			none
Total capitalization			$28,471,000
Value of properties Dec. 31, 1916,			$40,426,476

Surplus, after deductions, for first three months of 1917, are reported unofficially as running at an annual rate of over $200 a share, compared with $80 in the full year 1916.

Preferred dividend paid regularly quarterly January, April, July and October first since issuance in 1911. Common payable quarterly January, April, July and October first. Paid 1½% in 1905; 6% in 1906; 8% in 1907; and 8% to date. An extra 3% was declared payable April 1st, 1917. Stock dividend 50% July 1, 1909; stock dividend 50% July 1, 1913. February 13th, 1917, stockholders rejected a proposal to pay a 100% stock dividend, on account of uncertainty of proposed war taxes. It was reported February, 1917, that a controlling interest in the Youngstown Iron & Steel Co. was sold to the Sharon Steel Hoop Co. at $200 a share.

THE Youngstown Sheet & Tube Co. was organized in 1900 and its business has been built up gradually, beginning with the finishing end. Prior to the recent completion of important additions, the company was dependent upon open market purchases for steel billets. In more recent years a modern up-to-date steel plant has been added and by ownership of very valuable ore, coal and lime properties the company is now entirely self-contained.

A part of these improvements has been paid for out of surplus earnings and the balance by sale of stock to

stockholders. The stock was not underwritten and commissions thereby saved to the company.

An issue of $2,500,000 bonds was created during 1905 but has been redeemed and there is no bonded indebtedness.

The company carries its holdings of raw materials among assets at actual cost. In the case of its Mesaba ore holdings this property after fifteen years' continuous operation has more available ore than was supposed to be in sight when originally purchased. This property alone is valued at over $10,000,000. In like manner 5,000 acres of coal land in Pennsylvania were purchased cheaply and on being opened up was in the center of a field, which has since proven of great value.

The tonnage for 1916 approximated 909,000 tons. This will be increased in 1917.

Very liberal charges have been made for depreciation during the entire period since organization averaging over 15% on value of plant and equipment.

Inland Steel Co.

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$30,000,000	*$24,811,660
(Par $100)	Pfd.	none	none
Bonds, notes and misc. obligations			6,180,000
Total capitalization			$30,991,650
Value of properties June 30, 1916,			$25,186,964

*Stock increased to present amount April 2, 1927.

Surplus, after deductions, available for dividends this year sem-officially estimated as running at the rate of $80 per annum per share (new capitalization). Compared with $109 per share (old capitalization) in full year 1916.

Earnings, after deductions, in dollars per share on old capital stock ($9,924,664) available for dividends:

Year ended June 30	Capital Stock Earned	Capital Stock Paid
1916*	$109.08	$8.00
1915*	14.10	4.75
1914	14.01	10.00
1913	21.95	10.00
1912	12.38	10.00
1911	22.78	10.00
1910	22.49	7.00
1909	13.19	7.00
1908	12.78	7.00
Annual Average	$26.97	

*Year ended Dec. 31.

Dividends have been paid quarterly March, June, September and December first. Paid 7% per annum to September 1914 inclusive; 4% per annum to June 1, 1915; September 1, 1915 2% quarterly; 4% during 1916 to June 1, 1916 inclusive. Increased to 2% quarterly December 1, 1916 which rate was continued to April 1917. Stock dividend of 25% paid September 1, 1914. In April 2, 1917, stock dividend of 150% declared and capital increased to $30,000,000. Rate on new capitalization made 2% quarterly. Extra dividends of 3% have been paid in March or April each year 1911, 1912, 1913, 1914 and 1917.

THE Inland Steel Co. was formed in 1893 and plant is located at Indiana Harbor on Lake Michigan. From the sale of capital stock at par and out of earn-

ings the properties have been developed and extended. The company is self-contained, as it owns its own ore and coal, the former being freighted in company owned ore boats directly from docks near the mines in Minnesota, and unloaded at the plant. Five producing mines on the company's property have ore reserves sufficient to insure a life of 30 years for each mine.

In the 1916 annual report the valuation of the lands, plants, etc., are valued in the assets as $25,186,964. Those familiar with the physical valuation of the property say $35,000,000 would come nearer to a fair valuation.

Plants are modern in every respect. Liberal expenditures have been made for up-keep and new construction and from the very inception this company has been most profitable. Approximately 90% of earnings since organization have been put back in the property.

An addition to the steel plant during 1916 has increased the capacity to 1,000,000 tons against 600,000 tons in 1916. This extra tonnage will be available during 1917, but was only in part available during 1916.

Lackawanna Steel Co.

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$60,000,000	$35,096,500
(Par $100)	Pfd. 7% cum.	10,000,000	none
Bonds, notes and misc. obligations			32,114,500
Total capitalization			$67,211,000
Value of properties Dec. 31, 1916			$79,606,222

Surplus, after deductions, for first three months of 1917 available for dividends on the common equivalent to $60 a share annually. This compares with $34.81 in full year 1916. It is believed that policy of company will be to retire outstanding obligations with its rapidly increasing earnings.

Earnings, after deductions, in dollars per share available for dividends:

Year ended Dec. 31	Capital Stock Earned	Capital Stock Paid
1916	$34.81	$9.00
1915	6.93	none
1914	def.	1.00
1913	7.93	none
1912	2.90	....
1911	0.24	....
1910	7.29	....
1909	2.24	....
1908	def.	....
1907	7.04	....
Annual Average	$6.11	

During 1913 $6,000 preferred was issued for conversion of 5 year 5% debentures, but this preferred was repurchased in 1915. An initial dividend on the common of 1% was paid January, 1913. None thereafter until September, 1916 when stock was placed upon a 6% annual basis. An extra of 3% was paid December 30, 1916; an extra of 2½% is payable June 30, 1917. Dividends payable quarterly last day of March, June, September and December.

The Lackawanna Steel Co. has been liberal in depreciation and depletion charges, during 1916, $2,022,576 being charged off.

Reserves on balance sheet as of December 31, 1916 show for depreciation and replacement, $8,277,912;

extinguishment of mines, $4,544,363; contingencies, $668,552; total, $13,490,820. This is equivalent to approximately $38 per share.

Early in 1916 $6,000,000 of 2-year notes were redeemed and $165,000 bonds of subsidiary companies were redeemed and cancelled, and $612,000 was deposited with trustees for redeeming and cancelling in January, 1917, an additional $612,000 face value of such bonds.

The company has appropriated adequately for new construction and additions, this amounting to $3,931,951 during 1916. The properties are in excellent physical condition.

Tonnage for 1916 amounted to 1,298,000 tons. This will be materially increased during 1917.

Valuable and extensive ore properties are owned in Minnesota, Michigan and Wisconsin; also New York. Ore reserves as of December 31, 1916, 50,000,000 tons.

During the year only 22% of the company's business was for export.

Coal fields in Pennsylvania consists of 12,160 acres of Pittsburgh vein coking coal. Annual capacity 2,000,000 tons. Also owns 16,477 acres of bituminous coal fields in Pennsylvania. Annual capacity 750,000 tons.

Unfilled tonnage in February amounted to over 1,000,000 tons.

In past years the main product has been steel rails. Lackawanna now manufacturing a variety of steel products.

Midvale Steel & Ordnance Co.

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$150,000,000	$100,000,000
(Par $50)	Preferred	none	none
Bonds, notes and misc. obligations			59,003,851
Total capitalization			$159,003,851
Value of properties, Dec. 31, 1916			$135,708,932

Surplus, of Midvale after deductions, for first three months of 1917 available for dividends was equivalent to $6.01 a share or at the annual rate of 49% on par $50. This compares with $16 a share or 31.5% in the full year 1916.

Midvale purchased 95% of Cambria stock at $81 a share par $50, giving $45,763,000 in 5% bonds and $25,000,000 stock, a total of $70,736,000 par value of securities. Cambria in 1916 showed net for dividends $25,094,352 on its $45,000,000 stock (par $50) or 56%. Had all of Cambria's surplus been available for Midvale it would have been equivalent to approximately 23¾% on Midvale's stock. Cambria's earnings for 1917 are running at better than $30,000,000 per annum.

Cambria Steel earnings in percentages available for dividends, and dividends paid (par value stock $50) during past years follow:

Year ended	Capital Stock	
Dec. 31	Earned	Paid
1916	56.52%	6.75%
1915	14.33%	6.00%
1914	4.36%	5.00%
1913	13.85%	6.00%
1912	7.53%	5.00%
1911	6.17%	5.00%
1910	10.12%	5.00%
1909	5.64%	4.00%
1908	3.32%	3.00%
1907	9.47%	3.00%

The old Midvale Steel Co. was purchased for $22,000,000 and for 14 months ended Dec. 31, 1916 earned approximately 27% on purchase price. Worth Bros. was purchased for $18,500,000 and for 1916 earned approximately 22% of purchase price.

An initial dividend of $1.50 quarterly was paid on Midvale February 1, 1917, and has been continued at this rate, which is 12% on par $50.

THE Midvale Steel & Ordnance Co. was organized late in 1915 and the original capital was secured by the sale of stock, $50 par value, to a syndicate at $60 a share. The new company has paid for its properties in cash and securities approximately $150,000,000. To finance the purchase of Cambria Steel Co. there was authorized $50,000,000 25-year 5% convertible sinking fund gold bonds. Of the $50,000,000 unissued stock $25,000,000 is held in the treasury for conversion of bonds on the basis of ten shares of stock par $50 for every $1,000 principal of bonds and $25,000,000 remains in treasury for corporate purposes.

Midvale Steel & Ordnance Co. manufactures a great diversity of steel products. In this respect it compares favorably with Bethlehem and U. S. Steel.

The ore property owned by the Cambria Iron Co. and operated by Cambria under a 999 year lease was officially stated at one time as valued at $20,000,000. By purchase or under lease very extensive and valuable lands have been secured which should be ample to supply ore requirements for many years to come. Buena Vista Iron Co. lands, generally regarded as the finest property in Cuba, contain ore running a fair percentage of nickel, a very desirable ore especially for the alloy steels. The property has blocked out approximately 300,000,000 tons of ore. Ownership of the Marianna Coal Co. and the Pittsburgh & Westmoreland Coal Co. give ownership to 21,200 acres of gas and coking coal in Pennsylvania.

The management is adding to and improving all the properties of the companies and they should be reflected in future earnings.

The company in 1916 charged off for depreciation, mine exhaustion, etc. $11,113,667, and an additional special depreciation on property and plant account of $15,000,000; a grand total of $26,113,667. After these deductions the final profit and loss surplus as of December 31, 1916 was $18,656,610.

Gulf States Steel Company

Earning Power and Dividend Record

		Authorized	Outstanding
Capital Stock	Common	$9,814,400	$7,314,400
(Par $100)	Pfd. 1st 7% cum.	3,000,000	2,000,000
	Pfd. 2nd. 6% non cum.	2,685,600	1,685,600
Bonds, notes and misc. obligations			239,000
Total capitalization			$11,239,000
Value of property Dec. 31, 1916			$10,597,749

Surplus, after deductions, during first three months of 1917 available for dividends on the common equivalent to $45 per annum per share compared with $30 per share in the full year 1916.

January 5, 1916, stockholders were given right to subscribe pro rata for $740,000 first pfd., $887,931 second preferred and $1,715,692 common. At the then prevailing prices at which the stock was offered $1,575,755 was realized and placed on deposit for construction purposes. All the capital stock is held in a voting trust which expires December 1, 1918.

February 15, 1916, paid 15⅙% back dividends on the 1st pfd. April 1, 1916, initiated 1¾% quarterly dividends on the first preferred which rate has been paid regularly to date. Initial dividend of 1½% quarterly on second preferred paid August 1, 1916 and since continued at that rate.

On common initial dividend 2% quarterly paid January 2, 1917; April 2, 1917, paid 2% quarterly. Extra of 1% and 2% regular quarterly payable July 2, 1917.

THE Gulf States Steel Co. has its principal plant at Gadsden, Ala. By reorganization a few years ago practically the entire bonded indebtedness was wiped out, and the capitalization cut in half.

On account of the larger dividend rate on the common (8%) the holders of the 6% second preferred are gradually availing themselves of the privilege of converting into common,so it is believed by the end of the year all

of this issue will be so converted, leaving ahead of the common only $2,000,000 of first preferred and a small bonded indebtedness. The 7% first preferred is callable at 110. It is quite probable that in the near future the preferred stock will be paid off either by sale of treasury common stock or from surplus earnings. The net earnings for 1916 were equal to the entire outstanding issues of first and second preferred at par.

The Company owns extensive ore and coal lands sufficient for its needs for years to come. By purchase of the Self-Fluxing Ore & Iron Co. the Company secured what may prove to be a valuable ore deposit. This ore is located some 2,000 feet from the surface and diamond drillings indicate a rich and extensive body of ore. This ore will hardly be reached before late in the year, but once reached it should add materially to the book value of the stock.

Orders on the books are sufficient to keep plants running to capacity through 1917, and indications are that 1917 will greatly exceed 1916 in earnings.

The sales organization by reason of foreign representation has built up a valuable export business in Europe, Cuba and South America, and this will prove a useful outlet for steel products after the war. Principal products:—open hearth billets, slabs, wire, bars, nails, etc.

During the year $1,757,689 was charged off for depreciation and depletion of property and $1,130,267 was spent on new construction.

Estimated tonnage for 1917 should run close to 180,000 tons compared with 162,000 tons in 1916.

Recently installed battery of by-product coke ovens now in operation, will result in a saving of $1.50 a ton on coke, besides other economies from the sale of the by-products and in using the coke oven gas in boiler plant. This saving will be reflected in 1917 earnings.

Pittsburg Steel Company

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$ 7,000,000	$ 7,000,000
(Par $100)	Pfd. 7% cum.	10,500,000	10,500,000
Bonds, notes and misc. obligations			none
Total capitalization			$17,500,000
Value of properties June 30, 1916			$19,353,635

Surplus, after deductions, for nine months ended March 31, 1917 available for dividends on common equivalent to $130 per annum per share. This compares with $54.70 in full year 1916.

Earnings, after deductions, in dollars per share available for dividends:

Year ended June 30	*Preferred Stock* Earned	Paid	*Common Stock* Earned	Paid
1916	$43.47	$14.00	$54.70	$4.00
1915	8.18	none	1.76	none
1914	3.97	7.00	def.	2.00
1913	11.37	7.00	6.55	8.00
1912	18.58	7.00	11.58	8.00
1911	15.45	3.50	12.89	8.00
1910	......	......	15.27	8.00
Annual Average	$18.45		$13.50	

Preferred dividends payable March, September, June and December first. Initial quarterly 1¾% paid March 1, 1911, and continued to June 1, 1914. Resumed 1¾% quarterly September, 1915. Deferred dividends were paid off in two installments of 3½% each December, 1915 and January, 1916. Common, paid 8% per annum January, 1910, to September, 1913. Resumed April 1, 1916, when 2% was paid, and continued to date. January, 1917, in addition to the 2% quarterly an extra of 20% was paid. The common stock is very closely held.

THE principal works of the Pittsburg Steel Co are located at Monessen, Pa. The steel plant and. mills have been enlarged from time to time and are now in a high state of efficiency. The output is mostly in

special high grade steel products, which have a ready market, even in dull times. Liberal charges have been made for depreciation and large appropriations have been made out of earnings for new construction and raw materials.

Ownership of The Pittsburg Steel Ore Co. and Monessen Coal & Coke Co. assure a supply of raw materials for some years to come.

The tonnage for 1917 will exceed that of 1916 which approximated 600,000 tons.

Crucible Steel Company of America

Earning Power and Dividend Record

		Authorized	*Outstanding*
Capital Stock	Common	$25,000,000	$25,000,000
(Par $100)	Pfd. 7% cum.	25,000,000	25,000,000
Bonds, notes, scrip and misc. obligations			12,081,000
Total capitalization			$62,081,000
Value of properties Aug. 31, 1916			$49,505,848

Unofficial surplus, after deductions, for seven months ended March 31, 1917 available for dividends on common was equivalent to $75 per annum per share, compared with $45.89 in the full year 1916.

Earnings, after deductions, in dollars per share available for dividends:

Year ended Aug. 31	*Preferred Stock* Earned	Paid	*Common Stock* Earned	Paid
1916	$52.89	$8.50	$45.89	none
1915	12.29	none	5.39	.....
1914	4.06	7.00	def.	.....
1913	19.62	7.00	12.84	.....
1912	13.70	7.00	6.81	.....
1911	10.23	7.00	3.37	.....
1910	14.47	7.38	7.39	.....
1909	8.25	2.25	1.24	.....
1908	def.	1.00	def.	.....
1907	10.42	6.00	3.40	.....
Annual Average	$14.47		$7.54	.....

Preferred dividends have been irregular but are due to be paid quarterly March, June, September and December first. Amount in arrears on the preferred up to and including May 19, 1917 was 6%: Pfd. dividends resumed by payment 1% March 31, 1909; 1¼% June 30, 1½% September, 30, 1¾% December, 23, 1910; March 31, 1¾%, June 30, 2⅜% cash and 10% in scrip; September, 30, 1¾%. Same rate qu. to June 30, 1914. None thereafter until December 31, 1915 when qu. 1¾% was paid. Since cont. Also back dividends in 1916, ¼ of 1% June 30, 1¼% September 30, 1¼% October 31, 2% November 29 and 1¼% December 21; in 1917, 2% January 31, 2% February 28, 1¾% March 31, 2% April 28 and 3% May 19.

In annual report August 31, 1916, value of real estate plant equipment, good will, trade marks, etc., is placed at $49,505,972. This gives no accurate gauge of the physical valuation, as the properties were originally purchased by the sale of an issue of $25,000,000 preferred stock, the common being issued for good will, and was all water. The annual report shows that $9,257,972 has been expended in investments and advances to associated companies, but this is carried as a separate item among the assets. So to give an actual valuation of the properties deducting $25,000,000 from the capital account and adding actual appropriations for new construction would more nearly approach the original capital invested in the property.

Furthermore among the liabilities the guaranteed other bonded indebtedness of subsidiary companies amounting to $10,444,000 is not included whereas this is a direct liability to pay on or before maturity of these bonds. As capital stock of these companies is all owned by Crucible Steel Co. the value of these properties is presumably included in their assets.

Figuring on this basis the net assets applicable to common stock would equal approximately $48.00 per share, as against $86 a share as figures in the last annual report would indicate.

The company during 1916 was fairly liberal in its charges for depreciation, having written off, $1,915,240.

Prior to that date the average for the preceding six years was $535,473.

Excepting the Pittsburgh Crucible Steel Co., the Halcomb Steel Co. and its subsidiary the Syracuse Crucible Steel Co., and the ordnance department of the Atha plant at Harrison, the plants are mostly old and antiquated, and operating expenses, repairs and maintenance are necessarily high.

The products of the Crucible Steel Co. are mostly high grade steel, open hearth, electric furnace and crucible.

Prior to the war, England and Germany were large exporters of the higher grades of alloy steel. The Crucible Co. has secured a large proportion of this business and on a most profitable basis. It is estimated that between 80% and 90% of crucible steel now used in this country is furnished by this company. The recent development in the electric furnace, however, has brought more competition in the field, and for some grades of steel ordinarily made by the crucible process equally good steel and with cheaper manufacturing costs may be made in the electric furnace. The Crucible Steel Co. has kept abreast of the times in this respect and is among the pioneers in the use of the electric furnace especially at the Halcomb Steel plant.

A COMPARISON OF TEN S

Figures used in this tabulation have been taken from annual reports of the companies wherev
the calendar year Dec. 31, 1916 or with the 1916 fiscal year. Some of the statistics
made to have this compilation accurate an

Name Company	Bonds, Notes and Misc. Oblig.	Preferred Stock Outstanding	Common Stock Outstanding	Total Capitalization	Ratio Stock to Total Capital	Net Income 1916	P Sh Co
U. S. Steel	(a) $629,803,914	$360,281,100	$508,302,500	$1,498,387,515	57%	$271,531,730	$4
Bethlehem	(d) 131,711,000	14,908,000	(e) 59,448,000	206,067,000	36	43,593,968	7
Republic	(h) 16,795,500	25,000,000	27,191,000	68,986,500	75	14,789,163	4
Youngstown	None	9,974,400	18,496,600	28,471,000	100	15,528,947	8
Inland	6,180,000	None	(k) 24,811,660	30,991,660	80	10,826,236	4
Lackawanna	32,114,500	None	35,096,500	67,211,000	52	12,218,234	3
Midvale	(l) 59,003,851	None	(l) 100,000,000	159,003,851	64	31,460,213	1
Gulf States	(o) 239,000	(p) 3,685,600	7,314,400	11,239,000	95	2,452,510	3
Pittsburg	None	10,500,000	7,000,000	17,875,000	100	4,564,068	5
Crucible	(r) 12,081,000	25,000,000	25,000,000	62,081,000	60	13,223,655	4

U. S. Steel.—(a) Bonded debt $603,471,026; Capital Stock, Mining Royalty obligations, mortgages and purchase money obligations of subsidiaries, $26,332,888. (b) Includes original $25,000,000 working capital but not $35,935,434 as representing inter-companies, profits in inventories. (c) Since organization to Dec. 31st, 1916.

Bethlehem Steel.—(d) Bonded debt including $50,000,000 of two-year notes $116,247,500. Bonds of subsidiaries, $15,463,500. (e) $14,862,000 A Stock and $44,586,000 B Stock.

(f) Does not include additions to surplus since Dec. 31, 1916, by sale of $15,000,000 of "B" stock at par. $50,000,000 of two-year notes. (g) Appropriated during 1912, 1914, 1915, 1916.

Republic Steel.—(h) Bonded debt $16,346,000, Subsidiary's $449,500. (i) Appropriated during 1910, 1911, 1912, 1913, 1914, 1915, 1916.

Youngstown Sheet & Tube Co.—(j) Appropriated during 1916—Figures net income are not available.

DARD STEEL COMPANIES

h figures are available; or else from sources semi-official. The period for comparison ends with
een revised to date as explained in the footnotes. While every effort has been
plete its correctness is not guaranteed.

ver. Net Income 1910-15	$ Per Share Com.	Total Surplus Dec. 31, 1916	$ Per Share Com.	Approp. New Const. and Additions	$ Per Share Com.	Current Assets Over Liabilities Dec. 31, 1916	$ Per Share Com.	Book Value Common Dec. 31, 1916	$ Per Share Com.
2,917,446	$7.5	(b) $381,360,913	$75	(c) $533,377,684	$109	$408,208,437	$83	$944,663,416	$185
5,763,294	8.0	(f) 9,370,198	16	(g) 60,000,000	100	36,343,346	61	84,232,199	140
2,455,966	3.1	18,236,251	65	(i) 30,198,822	111	19,721,351	56	45,427,251	167
j)	23.0	21,950,320	111	(j) 12,813,370	69	17,035,689	92	46,950,320	246
1,408,277	5.5	16,359,409	66	20,000,000	80	9,148,726	37	26,284,075	105
1,189,544	3.4	17,148,168	48	(y)		16,434,451	46	52,244,669	148
m) 1,441,886	0.7	18,656,610	10	(n) 14,879,048	7	59,382,612	30	103,656,610	52
q) 608,943	10.1	2,656,549	36	2,500,000	34	3,349,169	46	9,970,949	136
960,866	8.0	5,380,474	93	(y)		5,367,473	77	12,346,116	176
3,083,845	5.9	6,543,606	26	(s) 15,000,000	.60	17,225,681	69	11,968,607	48

INLAND STEEL.—(k) New Capitalization Apr· 917 after declaration 150% stock dividend.

LACKAWANNA STEEL.—(y) Figures not avail- ble but very liberal.

MIDVALE STEEL.—(l) Bonded debt $45,736,000 Bonds of subsidiaries, $9,141,000. Minority in- erest in subsidiaries, $4,126,851. (Does not in- lude $8,468,000 of stock in Cambria Iron Co. uaranteed 4% annually) (m) Three months nded Dec. 31, 1915 earnings of new corporation. n) Appropriated for last three months of 1915 nd for year 1916. Par value stock $50.

GULF STATES STEEL.—(o) Self Fluxing Ore & Iron Co. bonds, guaranteed principal and interest. (p) $2,000,000, first preferred $1,685,600 convertible second preferred. (q) Year ending Dec. 31st, 1915, new company.

PITTSBURG STEEL.—(y) Figures not available but very liberal.

CRUCIBLE STEEL CO.—(r) Bonds of subsidiaries. Guaranteed principal and interest $7,470,000. Guaranteed only as to interest $1,000,000. Not guaranteed $1,974,000. Scrip due 1920, $1,637,404. (s) Appropriated during 1916 but not all spent.

We do not guarantee the statements and figures presented herein, but they are taken from sources which we believe to be accurate.

JAS. H. OLIPHANT & CO.

June 11, 1917

1 Stocks
1 Steel industry and trade